

REVISED  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

EASTERN IOWA REGIONAL HOUSING AUTHORITY  
DUBUQUE, IOWA

June 30, 2004

# TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT - REVISED	3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - REVISED	5
FINANCIAL SECTION	
STATEMENT OF NET ASSETS - ENTERPRISE FUNDS - REVISED	11
STATEMENT OF ACTIVITIES - ENTERPRISE FUNDS - REVISED	12
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS - REVISED	13
NOTES TO FINANCIAL STATEMENTS - REVISED	14
SUPPLEMENTAL INFORMATION	21
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REVISED	22
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS	23
FINANCIAL DATA SCHEDULE - REVISED	24
OTHER REPORTS	27
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	28
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	30
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	32

TOSTRUD & TEMP, S.C.  
*Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT - REVISED

Board of Directors  
Eastern Iowa Regional Housing Authority  
Dubuque, Iowa

We have audited the accompanying financial statements listed in the foregoing table of contents of the Eastern Iowa Regional Housing Authority, Dubuque, Iowa as of June 30, 2004 and for the year then ended. These financial statements and the supplemental data discussed below are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Eastern Iowa Regional Housing Authority as of June 30, 2004, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note K, management realized that a component unit of the Authority had not been included in the Authority's financial statements. This report and financial statements have been revised to include the operations of the Eastern Iowa Regional Housing Corporation (EIRHC).

In accordance with Government Auditing Standards, we have issued our report dated September 10, 2004, on our consideration of the Authority's internal

control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information, including the Schedule of Expenditures of Federal Awards, required by the United States Office of Management and Budget (OMB) Circular A-133, and the Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

*Isabel R. Temp, S.C.*

September 10, 2004, except for Note K, as to which the date is December 15, 2004

Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - REVISED**  
June 30, 2004

This section of the Eastern Iowa Regional Housing Authority, Dubuque, Iowa's annual financial report presents our management discussion and analysis of the Authority's financial performance during the fiscal year ended on June 30, 2004. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

**FINANCIAL HIGHLIGHTS**

The term "net assets" refers to the difference between assets and liabilities. The Authority's total net assets as of June 30, 2004 were \$7,119,202. The net assets increased by \$145,329, an increase of 2.1% over the prior year.

The Authority had a net increase of \$23,648 in the Public Housing Program, \$73,295 in the Section 8 Voucher Program, and \$48,386 in Eastern Iowa Regional Housing Corporation (EIRHC).

Revenues for the Authority were \$3,952,285 for the year ended June 30, 2004. This was an increase of 6.8% over the prior year. This was mainly due to the developer fee received by EIRHC for the tax credit project in Peosta.

Expenses for the Authority were \$3,909,741 for the year ended June 30, 2004. This was an increase of 4.7% over the prior year.

HUD operating subsidy for the Authority was \$267,213 for the year ended June 30, 2004. This was a decrease of 2.2% from the prior year. The Authority also expended \$72,288 of HUD capital grants for operations for the year ended June 30, 2004.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information Required by HUD*. The Authority's financial statements are presented as fund level financial statements because the Authority only has proprietary funds.

**Required Financial Statements**

The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – REVISED - CONTINUED**  
June 30, 2004

**OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED**

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

**Supplemental Information**

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information Required by HUD*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authorities to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended June 30, 2004 and is required to be included in the audit reporting package.

**FINANCIAL ANALYSIS**

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$7,119,202 at the close of the year ended June 30, 2004 up from \$6,973,873 in 2003. The increase in net assets of \$145,329 was primarily due to the \$247,945 increase in current and other assets. Change in current and other assets included a \$295,583 increase to cash and investments of which \$131,267 was assumed from the City of Maquoketa. Also included was a \$131,144 decrease to receivables of which \$107,144 was paid the Authority in the current year for the prior year underpayment from HUD in the Voucher program.

In December 2003, EIRHA was approached by the City of Maquoketa to administer their troubled housing program. After completing an interim agreement for three months, on April 1, 2004, EIRHA entered into a Memorandum of Understanding with the City of Maquoketa to assume the responsibilities under their Annual Contributions Contract (ACC), thereby including the City of Maquoketa under its scope of services. EIRHA assumed all assets and liabilities under this agreement. Total assets and liabilities assumed were \$183,728 and \$80,943 respectively.

The unrestricted net assets were \$102,785 as of June 30, 2004. This amount may be used to meet the Authority's ongoing obligations. The Authority has sufficient funds to meet requirements for cash outlays in the next fiscal year. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – REVISED - CONTINUED**  
June 30, 2004

**FINANCIAL ANALYSIS – CONTINUED**

**CONDENSED STATEMENTS OF NET ASSETS**

	FY 2004	FY 2003	Dollar Change	Percent Change
Current and other assets	\$ 1,282,444	\$ 819,335	\$ 463,109	56.5%
Capital assets	6,430,723	6,645,887	(215,164)	-3.2%
Total assets	<u>7,713,167</u>	<u>7,465,222</u>	<u>247,945</u>	<u>2.8%</u>
Current liabilities	296,124	182,667	113,457	62.1%
Other noncurrent liabilities	297,841	308,682	(10,841)	-3.5%
Total liabilities	<u>593,965</u>	<u>491,349</u>	<u>102,616</u>	<u>20.9%</u>
Net assets				
Invested in capital assets, net of related debt	6,154,819	6,357,125	(202,306)	-3.2%
Restricted	75,000	-	75,000	100.0%
Unrestricted	889,383	616,748	272,635	44.2%
Total net assets	<u>\$ 7,119,202</u>	<u>\$ 6,973,873</u>	<u>\$ 145,329</u>	<u>2.1%</u>

The largest portion of the Authority's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

The 2002 approved capital grant totals \$264,177. Of that amount, \$61,573 was used for operations, \$13,135 was used for new office computers, projector and screen, \$10,461 was used for administration, and \$4,164 was used to replace refrigerators. The balance of \$174,844 was used for various work items including replacement of kitchen cabinets, windows, roof, concrete, central air conditioning, and decks.

The 2003 approved capital grants total \$260,679 (\$43,319 of this was incentive funds). Of the total amount, \$30,000 was used for operations, \$10,326 was used for administration, and \$24,799 was used to upgrade maintenance vehicles and tools. The balance of \$195,554 is not fully spent and will be used to replace kitchen cabinets and flooring in Manchester & Bellevue elderly and to replace windows in Dyersville elderly.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the table below, total revenues increased by \$235,853 primarily due to the increase in HUD program contributions of \$29,457, net gain from disposition of Public Housing units, land and vehicles of \$23,360, and increase in other income of \$179,152 mainly due to developer fees earned for tax credit project in Peosta.

Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - REVISED- CONTINUED**  
June 30, 2004

**FINANCIAL ANALYSIS – CONTINUED**

**CONDENSED STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS**

	<u>FY 2004</u>	<u>FY 2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Revenues</b>				
Program revenues				
Rental income	\$ 288,310	\$ 275,385	\$ 12,925	4.7%
HUD program contributions	2,900,288	2,870,831	29,457	1.0%
HUD operating grants	358,605	345,741	12,864	3.7%
Other government grants	4,157	-	4,157	100.0%
General revenues				
Interest income	7,884	10,503	(2,619)	-24.9%
HUD capital grants	163,827	187,270	(23,443)	-12.5%
Gain/(loss) on disposition of fixed assets	23,191	(169)	23,360	138.2%
Other income	190,845	11,693	179,152	153.2%
Total revenues	<u>3,937,107</u>	<u>3,701,254</u>	<u>235,853</u>	<u>6.4%</u>
<b>Expenses</b>				
Administrative	680,512	684,705	(4,193)	-.6%
Tenant services	3,709	2,206	1,503	68.1%
Utilities	75,817	64,628	11,189	17.3%
Ordinary maintenance & operations	215,200	210,971	4,229	2.0%
General expense	154,724	43,319	111,405	257.2%
Interest expense	22,025	10,059	11,966	119.0%
Housing assistance payments	2,450,800	2,421,675	29,125	1.2%
Depreciation	306,954	295,550	11,404	3.9%
Total expenses	<u>3,909,741</u>	<u>3,733,113</u>	<u>176,628</u>	<u>4.7%</u>
Excess (deficiency) before contributions and prior period adjustments	27,366	(31,859)	59,225	
Prior period adjustments	15,178	-	15,178	
Contributions	102,785	-	102,785	
Change in net assets	<u>145,329</u>	<u>(31,859)</u>	<u>177,188</u>	
Beginning net assets	<u>6,973,873</u>	<u>7,005,732</u>	<u>(31,859)</u>	
Ending net assets	<u>\$ 7,119,202</u>	<u>\$ 6,973,873</u>	<u>\$ 145,329</u>	



Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - REVISED- CONTINUED**  
June 30, 2004

**FINANCIAL ANALYSIS – CONTINUED**

Total expenses increased by \$176,628 primarily due to increase in utilities, housing assistance payments, and consultant for assisting in development of the tax credit project in Peosta. Utilities increased by 17.3%, mostly due to \$12,176 increase in gas expense caused by rate increase of 79% over the prior year. General expense increase of \$111,405 was mostly due to consulting fee. Housing assistance payments increase of \$29,125 was a direct result of the additional 156 City of Maquoketa vouchers.

Contribution amount of \$102,785 represents the residual equity transferred from the City of Maquoketa Housing Authority to the Eastern Iowa Regional Housing Authority. Beginning April 1, 2004, HUD obligated additional funding to administer the 156 Section 8 Voucher units resulting from the transfer.

EIRHA currently owns and manages 166 public housing units plus an on-site manager unit. These units are located in Dyersville, Bellevue, Manchester, Colesburg, Miles, Sabula, DeWitt, Holy Cross, Hopkinton, Worthington, Delmar, Preston, Peosta, and Wheatland. Overall, the projects maintain a 98.9% occupancy level. There are 84 units of elderly and 82 units of family and one on-site manager unit in Manchester. The family housing is scattered site single family homes and duplexes. Currently EIRHA has 6 four-bedroom units, 30 three-bedroom units, 40 two-bedroom units and 90 one-bedroom units.

EIRHA is authorized to assist 883 households with the Housing Choice Voucher Rental Assistance Program. Of the 883 vouchers, the City of Maquoketa is given priority to their original 156 vouchers under their Annual Contributions Contract that EIRHA assumed. From December 2003 through June 30, 2004, EIRHA served 199 families in the City of Maquoketa. The Section 8 lease up rate for fiscal year 2004 was 99.5%. The lease up rate in the prior year was 100%.

EIRHC owns 10 one-bedroom USDA units that are designed for the elderly/handicapped/disabled, located in Grand Mound (6 units) and Worthington (4 units). EIRHC is also the general partner/developer for the 24 tax credit units known as Evergreen Meadows. This project is located in Peosta, Iowa and has 3 four-bedroom units, 11 three-bedroom units and 10 two-bedroom units.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – The Eastern Iowa Regional Housing Authority, Dubuque, Iowa's investment in capital assets as of June 30, 2004 amounts to \$6,154,819 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

The total decrease in the Authority's investment in capital assets for the current fiscal year was 3.2% in terms of net book value. Actual expenditures to purchase or construct capital assets were \$176,522 for the year. Of this amount, 92.8% was used from HUD capital grants to improve the housing units and upgrade equipment. The Authority received \$112,908 from the sale of two single family units (145 Nelson Circle, Manchester, Iowa and 133 E. Honeycreek, Manchester, Iowa) through the homeownership program and 1.272 acres of land with a book value of \$81,573. The

Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - REVISED - CONTINUED**  
June 30, 2004

**CAPITAL ASSET AND DEBT ADMINISTRATION - CONTINUED**

Authority also traded in two vehicles with a book value of \$18,417 for \$10,500. The Authority has various contract commitments with contractors the implementation of the HUD capital grants as outlined by the HUD approved Capital Grant Budget. Depreciation charges for the year totaled \$299,070. Additional information on the Authority's capital assets can be found in Note D of the notes to the financial statements of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the fiscal year 2005 budget. The user charges are based on a tenant's income as established by HUD guidelines and are not adjustable. Operating subsidy is based on rental income, other income and utility consumption and costs. The amount of funding is also established and approved by HUD. In projecting the amount of rental income, the Authority considered prior year rental income and occupancy rates. The occupancy rate as of June 30, 2004 was 98.9% and is expected to remain constant. The operating expenses are expected to increase by the economy's inflation rate.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Executive Director, Eastern Iowa Regional Housing Authority, Dubuque, Iowa address.

Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
**STATEMENT OF NET ASSETS - REVISED**  
**ENTERPRISE FUNDS**  
June 30, 2004

	Owned Housing	Section 8 Vouchers	EIRHC	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 351,311	\$ 450,750	\$ 98,295	\$ 900,356
Investments	200,000	32,318	-	232,318
Accounts receivable				
Tenants	394	-	-	394
HUD	75,237	-	-	75,237
Other	2,414	86,169	-	88,583
Allowance for doubtful accounts	-	(30,000)	-	(30,000)
Accrued interest	873	782	-	1,655
Deferred charges	6,555	7,346	-	13,901
Total current assets	<u>636,784</u>	<u>547,365</u>	<u>98,295</u>	<u>1,282,444</u>
<b>PROPERTY AND EQUIPMENT, net of accumulated depreciation</b>	<u>6,142,923</u>	<u>16,726</u>	<u>271,074</u>	<u>6,430,723</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,779,707</u>	<u>\$ 564,091</u>	<u>\$ 369,369</u>	<u>\$ 7,713,167</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Notes payable - current	\$ -	\$ 4,830	\$ 1,722	\$ 6,552
Accounts payable				
Vendors	40,364	50,539	4,474	95,377
HUD	-	102,680	-	102,680
Security deposits	27,569	-	2,213	29,782
Accrued liabilities				
Payments in lieu of taxes	19,535	-	-	19,535
Interest payable	-	-	526	526
Deferred credits	20,698	20,566	408	41,672
Total current liabilities	<u>108,166</u>	<u>178,615</u>	<u>9,343</u>	<u>296,124</u>
<b>LONG-TERM LIABILITIES</b>				
Notes payable, net of current portion	<u>-</u>	<u>-</u>	<u>297,841</u>	<u>297,841</u>
Total liabilities	<u>108,166</u>	<u>178,615</u>	<u>307,184</u>	<u>593,965</u>
<b>NET ASSETS</b>				
Invested in capital assets - net of related debt	6,142,923	11,896	-	6,154,819
Restricted	-	75,000	-	75,000
Unrestricted	528,618	298,580	62,185	889,383
Total net assets	<u>6,671,541</u>	<u>385,476</u>	<u>62,185</u>	<u>7,119,202</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,779,707</u>	<u>\$ 564,091</u>	<u>\$ 369,369</u>	<u>\$ 7,713,167</u>

The accompanying notes are an integral part of this statement.

Eastern Iowa Regional Housing Authority  
Dubuque, Iowa

**STATEMENT OF ACTIVITIES - REVISED**  
**ENTERPRISE FUNDS**

Year ended June 30, 2004

	Owned Housing	Section 8 Vouchers	EIRHC	Total
<b>OPERATING REVENUE</b>				
Charges for services	\$ 265,380	\$ -	\$ 22,930	\$ 288,310
Intergovernmental revenue	507,486	2,900,288	19,103	3,426,877
Other operating revenue	14,569	8,225	168,051	190,845
Total operating revenue	787,435	2,908,513	210,084	3,906,032
<b>OPERATING EXPENSE</b>				
Administration	207,556	464,024	8,932	680,512
Tenant services	3,709	-	-	3,709
Utilities	70,026	-	5,791	75,817
Ordinary maintenance and operations	192,934	14,766	7,500	215,200
General expense	35,406	8,681	110,637	154,724
Housing assistance payments	-	2,450,800	-	2,450,800
Depreciation	291,005	8,065	7,884	306,954
Total operating expense	800,636	2,946,336	140,744	3,887,716
Operating income (loss)	(13,201)	(37,823)	69,340	18,316
<b>NON-OPERATING REVENUE (EXPENSE)</b>				
Interest income	4,360	2,907	617	7,884
Interest expense	-	(454)	(21,571)	(22,025)
Gain (loss) on disposal of fixed assets	23,419	(228)	-	23,191
Prior year adjustments	9,070	6,108	-	15,178
Total non-operating revenue (expense) - net	36,849	8,333	(20,954)	24,228
Change in net assets before special item	23,648	(29,490)	48,386	42,544
<b>SPECIAL ITEM</b>				
Equity transfer from outside entity	-	102,785	-	102,785
Change in net assets	23,648	73,295	48,386	145,329
Net assets at beginning of year	6,647,893	312,181	13,799	6,973,873
Net assets at end of year	\$ 6,671,541	\$ 385,476	\$ 62,185	\$ 7,119,202

The accompanying notes are an integral part of this statement.

Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
STATEMENT OF CASH FLOWS - REVISED  
ENTERPRISE FUNDS  
Year ended June 30, 2004

Increase (Decrease) in Cash and Cash Equivalents	Owned Housing	Section 8 Vouchers	EIRHC	Total
<b>Cash flows from operating activities</b>				
Cash received from tenants	\$ 265,211	\$ -	\$ 23,026	\$ 288,237
Cash payments to suppliers and employees	(520,745)	(2,914,017)	(128,968)	(3,563,730)
Grants received from governmental units	486,752	3,033,418	19,103	3,539,273
Other income received	12,155	8,225	168,051	188,431
Net cash provided by operating activities	243,373	127,626	81,212	452,211
<b>Cash flows from capital and related financing activities</b>				
Cash received in merger	-	131,267	-	131,267
Capital expenditures	(171,481)	(5,040)	-	(176,521)
Proceeds from sale of property	112,908	-	-	112,908
Principal payments on notes payable	-	(4,974)	(1,607)	(6,581)
Interest paid	-	(454)	(21,045)	(21,499)
Prior year adjustments	9,070	6,108	-	15,178
Adjustment of equipment in merger	-	(1,112)	-	(1,112)
Net cash provided by (used in) capital and related financing activities	(49,503)	125,795	(22,652)	53,640
<b>Cash flows from investing activities</b>				
Interest income received	3,487	2,697	617	6,801
Net investment transactions	(200,000)	42,108	-	(157,892)
Net cash provided by (used in) investing activities	(196,513)	44,805	617	(151,091)
Net increase (decrease) in cash and cash equivalents	(2,643)	298,226	59,177	354,760
Cash and cash equivalents at beginning of year	353,954	152,524	39,118	545,596
Cash and cash equivalents at end of year	\$ 351,311	\$ 450,750	\$ 98,295	\$ 900,356
<b>Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities</b>				
Operating income (loss)	\$ (13,201)	\$ (37,823)	\$ 69,340	\$ 18,316
Adjustments to reconcile operating loss to net cash from operating activities				
Depreciation	291,005	8,065	7,884	306,954
Change in assets and liabilities net of effects from merger				
(Increase) decrease in accounts receivable	(39,412)	142,120	-	102,708
(Increase) decrease in deferred charges	1,734	(5,325)	-	(3,591)
Increase in accounts payable	12,337	37,665	-	50,002
Decrease in accounts receivable	-	-	96	96
Increase in accounts payable	-	-	3,484	3,484
(Decrease) in accrued liabilities	(9,261)	(8,086)	-	(17,347)
Increase (decrease) in deferred credits	171	(8,990)	408	(8,411)
Total adjustments	256,574	165,449	11,872	433,895
Net cash from operating activities	\$ 243,373	\$ 127,626	\$ 81,212	\$ 452,211

The accompanying notes are an integral part of this statement.

Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Reporting Entity**

The Eastern Iowa Regional Housing Authority (EIRHA) is organized pursuant to the provisions of Chapter 403A and Chapter 28E of the Code of Iowa for the purposes of owning and providing affordable rental units and rent subsidies to low and moderate income individuals in Dubuque, Delaware, Jackson, Cedar, Clinton and Jones counties. The Eastern Iowa Regional Housing Authority board consists of elected directors and housing commissioners from those counties.

As required by generally accepted accounting principles, these financial statements present the Eastern Iowa Regional Housing Authority and its component unit, the Eastern Iowa Regional Housing Corporation (EIHRC). Although it is legally separate from EIRHA, EIHRC is reported as if it were part of the primary government because of the significance of its operational or financial relationship with Eastern Iowa Regional Housing Authority, including having the same board of directors.

**2. Basis of Presentation**

The accounts of the Authority are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The Authority has the following fund:

**Enterprise Fund** - Enterprise funds are used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the government body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - Continued

During the year ended June 30, 2004, the Authority adopted GASB Statement No. 34 on Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. It was subsequently amended by GASB Statement No. 37, and modified by GASB Statement No. 38, "Certain Financial Statement Disclosures." Statement No. 34, as amended and modified, referred to as the new reporting model, retained much of the old reporting and disclosure requirements of the prior reporting model with certain modifications and newly added information. The most significant effect on the Authority's financial statement is the addition of the Management's Discussion and Analysis as required supplemental information.

3. Measurement Focus and Basis of Accounting

**Measurement Focus** - All Enterprise Funds are accounted for on an economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Enterprise fund type operating statements present increases (revenue) and decreases (expenses) in total net assets.

**Basis of Accounting** - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Enterprise funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

4. Cash Equivalents

For purposes of the statements of cash flows, the Authority considers cash equivalents to include certificates of deposits having an original maturity of three months or less.

5. Investments

The Authority's investments are in time deposits (savings, preferred money market accounts or certificates of deposit) that are stated at fair value, which approximates cost.

Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Property and Equipment

Property and equipment is stated at cost. The cost of maintenance and repairs that do not add value to assets or materially extend asset lives is not capitalized. The capitalization policy of the Authority is to capitalize fixed assets costing more than \$500 and expected to last more than one year. Depreciation of all exhaustible property and equipment is charged as an expense against operations. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings	40-50 years
Building and land improvements	5-20 years
Equipment	3-10 years

7. Budgetary Process

The Eastern Iowa Regional Housing Authority prepares an annual operating budget with formal board approval prior to the start of its fiscal year. The United States Department of Housing and Urban Development (HUD) requests the Authority keep the budget on file and to submit to HUD the calculation for operating subsidy. The Authority must prepare a revised operating budget only when total expenditures exceed the amount originally budgeted. The revised budget, if needed, is also kept on file at the Authority's office.

8. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

9. Concentration of Revenues

The Authority received approximately 88% of its total operating revenues from the federal government. This revenue is subject to federal government budget appropriations and potential funding reductions.



Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2004

**NOTE B - DEPOSITS AND INVESTMENTS**

The Authority's deposits at June 30, 2004 were entirely covered by FDIC insurance, collateralized with securities or letters of credit held by the Authority or the Authority's agent in the Authority's name, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Iowa Code. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Authority is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Authority and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**NOTE C - RECEIVABLES**

Other receivables at June 30, 2004 include a claim of \$77,301 from the former Director of Maquoketa Housing Authority as reported by the Maquoketa Housing Authority audit as of March 31, 2004. An allowance for uncollectibility of \$30,000 was also established by the Maquoketa Housing Authority at that time. There have been no events since March 31, 2004 that would change the receivable and/or allowance as stated above.

Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2004

NOTE D - PROPERTY AND EQUIPMENT - REVISED

A summary of changes in property and equipment for each program follows:

	Balance July 1, 2003	Additions & Adjustments	Deletions & Adjustments	Balance June 30, 2004
<b>Owned Housing</b>				
Land	\$ 900,614	\$ -	\$ 42,291	\$ 858,323
Land improvement	16,717	-	-	16,717
Buildings	8,465,779	178,445	88,523	8,555,701
Equipment	138,430	87,023	68,458	156,995
Construction in progress	126,721	126,284	173,812	79,193
	<u>9,648,261</u>	<u>391,752</u>	<u>373,084</u>	<u>9,666,929</u>
Less accumulated depreciation	3,296,325	291,005	63,324	3,524,006
Totals	<u>\$ 6,351,936</u>	<u>\$ 100,747</u>	<u>\$ 309,760</u>	<u>\$ 6,142,923</u>
<b>Vouchers</b>				
Equipment	\$ 24,336	\$ 20,962	\$ -	\$ 45,298
Less accumulated depreciation	9,343	19,229	-	28,572
Totals	<u>\$ 14,993</u>	<u>\$ 1,733</u>	<u>\$ -</u>	<u>\$ 16,726</u>
<b>EIRHC</b>				
Land	\$ 19,664	\$ -	\$ -	\$ 19,664
Buildings	313,461	-	-	313,461
Furniture and equipment	14,682	-	-	14,682
	<u>347,807</u>	<u>-</u>	<u>-</u>	<u>347,807</u>
Less accumulated depreciation	68,849	7,884	-	76,733
Totals	<u>\$ 278,958</u>	<u>\$ (7,884)</u>	<u>\$ -</u>	<u>\$ 271,074</u>
Grand Total	<u>\$ 6,645,887</u>	<u>\$ 94,596</u>	<u>\$ 309,760</u>	<u>\$ 6,430,723</u>

NOTE E - NOTES PAYABLE - REVISED

Notes payable for Section 8 Voucher program is a \$14,874 commercial loan from American Trust and Savings Bank, due in monthly installments of \$452, including interest at 6.0% per annum until May 20, 2005.

Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2004

NOTE E - NOTES PAYABLE - REVISED - CONTINUED

Notes payable for EIRHC are payable to Rural Economic and Community Development (RECD). The following mortgage notes payable to RECD at June 30, 2004 are as follows:

6.5% first mortgage note payable	\$ 111,591
6.5% first mortgage note payable	3,848
7.25% first mortgage note payable	<u>184,124</u>
	299,563
Less current maturities	<u>1,722</u>

LONG-TERM OBLIGATIONS	\$ <u>297,841</u>
-----------------------	-------------------

Rural Economic and Community Development (RECD) is subsidizing the interest payable on the first mortgage notes, thereby effectively reducing the interest rate to 1%. The RECD notes are secured by real property and rents and profits of the Authority's RECD program.

Principal maturities on notes payable are as follow:

<u>Year ended June 30,</u>	Section 8 Voucher	EIRHC-Rural Development	Total
2005	\$ 4,830	\$ 1,722	\$ 6,552
2006	-	1,847	1,847
2007	-	1,979	1,979
2008	-	2,122	2,122
2009	-	2,276	2,276
2010-2014	-	14,082	14,082
2015-2019	-	19,948	19,948
2020-2024	-	28,269	28,269
2025-2029	-	40,071	40,071
2030-2034	-	56,817	56,817
2035-2039	-	80,588	80,588
2040-2044	-	<u>49,842</u>	<u>49,842</u>
	<u>\$ 4,830</u>	<u>\$ 299,563</u>	<u>\$ 304,393</u>

NOTE F - RESTRICTED NET ASSETS

The Authority board has formally restricted \$75,000 of Section 8 Voucher Program net assets as a revolving loan fund.

Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2004

**NOTE G - ACTIVITIES OF THE HOUSING AUTHORITY**

The Eastern Iowa Regional Housing Authority owns and manages 18 Public Housing Projects totaling 166 units in several locations.

The Eastern Iowa Regional Housing Authority is authorized to issue 883 vouchers under the Section 8 Housing Choice Voucher Program. At June 30, 2004, 870 vouchers were under lease in the six-county area served by the Eastern Iowa Regional Housing Authority.

**NOTE H - RELATED PARTY**

The Eastern Iowa Regional Housing Authority, related to the East Central Intergovernmental Association through common management, is provided management services and office space. During the year ended June 30, 2004, the Eastern Iowa Regional Housing Authority paid East Central Intergovernmental Association \$694,274 for such services.

**NOTE I - RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four years.

**NOTE J - CORRECTION OF AN ERROR - REVISION**

The previously issued financial statements and independent auditor's report of the Eastern Iowa Regional Housing Authority at and for the year ended June 30, 2004 omitted a component unit of the Authority required to be included by governmental generally accepted accounting principles. Those financial statements and independent auditor's report have been revised to include the Eastern Iowa Regional Housing Corporation as described in Note A1. The financial statement pages affected by the revision have been labeled "Revised."

**NOTE K - CONTINGENT LIABILITY - REVISED**

Eastern Iowa Regional Housing Corporation (EIRHC) includes Evergreen Meadows, Inc., a wholly-owned subsidiary of EIRHC. Evergreen Meadows, Inc. is the general partner and .01% owner of a limited partnership, Eastern Iowa Regional Partnership, L.L.L.P., which was formed for the development and operations of affordable housing in Peosta, Iowa.

**SUPPLEMENTAL DATA**

Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2004

	Receivable (prepayment) at July 1, 2004	Disbursements	Grantor Receipts	Receivable (prepayment) at June 30, 2004
United States Department of Housing and Urban Development - direct				
Section 8 Housing Choice Voucher Program - Catalog Number 14.871*	\$ 107,114	\$ 2,900,288	\$ 3,088,504	\$ (81,102)
Public and Indian Housing Catalog Number 14.850	-	267,213	267,213	-
Public Housing Capital Fund Program Catalog Number 14.872				
2002 Capital Fund	38,408	91,797	130,205	-
2003 Capital Fund	-	144,318	69,081	75,237
Totals	<u>\$ 145,522</u>	<u>\$ 3,403,616</u>	<u>\$ 3,555,003</u>	<u>\$ (5,865)</u>

NOTE: The above statement is presented on the accrual basis of accounting.  
\* Denotes major program.

The accompanying notes are an integral part of this statement.

Eastern Iowa Regional Housing Authority

Dubuque, Iowa

STATEMENT AND CERTIFICATION OF

CAPITAL FUND PROGRAM COSTS

Year ended June 30, 2004

1. The Actual Capital Fund Program costs for Project IA05P126501-02 are as follows:

Funds approved	\$	264,177
Funds expended		<u>264,177</u>
Excess	\$	<u><u>-</u></u>
Funds advanced		
Capital fund grant	\$	264,177
Funds expended		<u>264,177</u>
Excess	\$	<u><u>-</u></u>

2. The Actual Modernization Cost Certificate (HUD-53001) dated December 30, 2003 submitted to HUD for approval is in agreement with the PHA's records.
3. All capital fund program costs have been paid and all related liabilities have been discharged through payment.

The accompanying notes are an integral part of this statement.

Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
FINANCIAL DATA SCHEDULE  
June 30, 2004

Line Item umber	Account Description	Low- Rent Public Housing 14.850	Section 8 Housing Choice Vouchers 14.871	Public Housing Capital Fund Program 14.872	State/ Local	Component Units	Total
111	Cash - unrestricted	348,211	450,750	-	3,100	98,295	900,356
122	Accounts receivable - HUD	-	-	75,237	-	-	75,237
125	Accounts receivable - miscellaneous	2,414	86,169	-	-	-	88,583
126	Accounts receivable - tenants	394	-	-	-	-	394
126.2	Allowance for doubtful accounts - other	-	(30,000)	-	-	-	(30,000)
129	Accrued interest receivable	873	782	-	-	-	1,655
131	Investments - unrestricted	200,000	32,318	-	-	-	232,318
142	Prepaid expenses	6,555	7,346	-	-	-	13,901
144	Interprogram due from	71,856	-	-	-	-	71,856
150	Total current assets	630,303	547,365	75,237	3,100	98,295	1,354,300
161	Land	858,323	-	-	-	19,664	877,987
162	Buildings	8,381,889	-	173,811	-	313,461	8,869,161
163	Furniture, equipment and machinery - dwellings	14,292	-	697	-	13,538	28,527
164	Furniture, equipment and machinery-administration	101,441	45,298	37,544	3,021	1,144	188,448
165	Leasehold improvements	16,717	-	-	-	-	16,717
166	Accumulated depreciation	(3,511,999)	(28,572)	(11,453)	(554)	(76,733)	(3,629,311)
167	Construction in progress	-	-	79,194	-	-	79,194
160	Total fixed assets, net of accumulated depreciation	5,860,663	16,726	279,793	2,467	271,074	6,430,723
180	Total noncurrent assets	5,860,663	16,726	279,793	2,467	271,074	6,430,723
190	Total assets	6,490,966	564,091	355,030	5,567	369,369	7,785,023
312	Accounts payable <=90 days	36,983	50,539	3,381	-	4,474	95,377
325	Accrued interest payable	-	-	-	-	526	526
331	Accounts payable - HUD PHA programs	-	102,680	-	-	-	102,680
333	Accounts payable - other government	19,535	-	-	-	-	19,535
341	Tenant security deposits	27,569	-	-	-	2,213	29,782
342	Deferred revenues	17,598	20,566	-	3,100	408	41,672
343	Current portion of a long- term debt - capital projects/ mortgage revenue bonds	-	4,830	-	-	1,722	6,552
347	Interprogram due to	-	-	71,856	-	-	71,856
310	Total current liabilities	101,685	178,615	75,237	3,100	9,343	367,980



Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
FINANCIAL DATA SCHEDULE - CONTINUED  
June 30, 2004

Line Item umber	Account Description	Low- Rent Public Housing 14.850	Section 8 Housing Choice Vouchers 14.871	Public Housing Capital Fund Program 14.872	State/ Local	Component Units	Total
350	Long-term debt, net of current - capital projects/mortgage revenue bonds	-	-	-	-	297,841	297,841
350	Total noncurrent liabilities	-	-	-	-	297,841	297,841
300	Total liabilities	101,685	178,615	75,237	3,100	307,184	665,821
508.1	Invested in capital assets, net of related debt	5,860,663	11,896	279,793	2,467	-	6,154,819
511.1	Restricted net assets	-	75,000	-	-	-	75,000
512.1	Unrestricted net assets	528,618	298,580	-	-	62,185	889,383
513	Total equity	6,389,281	385,476	279,793	2,467	62,185	7,119,202
600	Total liabilities and equity	6,490,966	564,091	355,030	5,567	369,369	7,785,023
703	Net tenant rental revenue	265,380	-	-	-	22,930	288,310
705	Total tenant revenue	265,380	-	-	-	22,930	288,310
706	HUD PHA grants	267,213	2,900,288	72,289	-	-	3,239,790
706.1	Capital grants	-	-	163,827	-	-	163,827
708	Other government grants	-	-	-	4,157	19,103	23,260
711	Investment income - unrestricted	4,360	2,907	-	-	617	7,884
714	Fraud recovery	-	372	-	-	-	372
715	Other revenue	14,569	7,853	-	-	168,051	190,473
716	Gain/loss on sale of fixed assets	23,419	(228)	-	-	-	23,191
700	Total revenue	574,941	2,911,192	236,116	4,157	210,701	3,937,107
911	Administrative salaries	114,203	351,334	-	-	1,080	466,617
912	Auditing fees	1,750	1,750	-	-	-	3,500
913	Outside management fees	-	-	-	-	1,044	1,044
916	Other operating - administrative	79,751	119,488	10,716	1,136	6,808	217,899
924	Tenant services - other	3,709	-	-	-	-	3,709
931	Water	12,080	-	-	-	2,322	14,402
932	Electricity	11,326	-	-	-	2,576	13,902
933	Gas	33,380	-	-	-	-	33,380
938	Other utilities expense	13,239	-	-	-	893	14,132
941	Ordinary maintenance & operations - labor	111,019	-	-	-	-	111,019
942	Ordinary maintenance & operations - materials and other	33,132	-	-	-	-	33,132
943	Ordinary maintenance & operations - contract costs	48,784	6,218	-	-	7,500	62,502

Eastern Iowa Regional Housing Authority  
Dubuque, Iowa  
FINANCIAL DATA SCHEDULE - CONTINUED  
June 30, 2004

Line Item umber	Account Description	Low- Rent Public Housing 14.850	Section 8 Housing Choice Vouchers 14.871	Public Housing Capital Fund Program 14.872	State/ Local	Component Units	Total
961	Insurance premiums	15,871	7,272	-	-	925	24,068
962	Other general expenses	-	1,409	-	-	109,712	111,121
963	Payments in lieu of taxes	19,535	-	-	-	-	19,535
967	Interest expense	-	454	-	-	21,571	22,025
969	Total operating expenses	497,779	487,925	10,716	1,136	154,431	1,151,987
970	Excess operating revenue over operating expenses	77,162	2,423,267	225,400	3,021	56,270	2,785,120
973	Housing assistance payments	-	2,450,800	-	-	-	2,450,800
974	Depreciation expense	279,010	8,065	11,441	554	7,884	306,954
900	Total expenses	776,789	2,946,790	22,157	1,690	162,315	3,909,741
1001	Operating transfers in	61,572	-	-	-	-	61,572
1002	Operating transfers out	-	-	(61,572)	-	-	(61,572)
1010	Total other financing sources (uses)	61,572	-	(61,572)	-	-	-
1000	Excess (deficiency) of operating revenue over (under) expenses	(140,276)	(35,598)	152,387	2,467	48,386	27,366
1102	Debt principal payments - enterprise funds	-	-	-	-	1,607	1,607
1103	Beginning equity	6,337,780	312,181	310,113	-	13,799	6,973,873
1104	Prior period adjustments, equity transfers and correction of errors	191,777	108,893	(182,707)	-	-	117,963
1113	Maximum annual contribu- tions commitment	-	2,932,558	-	-	-	2,932,558
1115	Contingency reserve, ACC program reserve	-	147,763	-	-	-	147,763
1116	Total annual contribu- tions available	-	3,080,321	-	-	-	3,080,321
1120	Unit months available	2,002	9,192	-	-	120	11,314
1121	Number of unit months leased	1,979	9,144	-	-	120	11,243

**OTHER REPORTS**

# TOSTRUD & TEMP, S.C.

*Certified Public Accountants*

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Eastern Iowa Regional Housing Authority  
Dubuque, Iowa

We have audited the financial statements of the Eastern Iowa Regional Housing Authority, Dubuque, Iowa as of and for the year ended June 30, 2004 and have issued our report thereon dated September 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Eastern Iowa Regional Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Eastern Iowa Regional Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the board of commissioners, and grantor agencies. However, this report is a matter of public record and its distribution is not limited.

*Island & Temp, S. C.*

September 10, 2004

# TOSTRUD & TEMP, S.C.

*Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO MAJOR PROGRAMS AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133

Board of Directors  
Eastern Iowa Regional Housing Authority  
Dubuque, Iowa

## Compliance

We have audited the compliance of the Eastern Iowa Regional Housing Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The Authority's major federal program is identified in the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

### Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the board of commissioners, and grantor agencies. However, this report is a matter of public record and its distribution is not limited.

*Forstner & Jones, P.C.*

September 10, 2004

Eastern Iowa Regional Housing Authority  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? ☐ yes ☒ no

Reportable condition(s) identified not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to the financial statements? ☐ yes ☒ no

Federal Awards

Internal control over financial reporting:

Material weakness identified? ☐ yes ☒ no

Reportable condition(s) identified not considered to be material weaknesses? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(1)? ☐ yes ☒ no

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Voucher Program

Dollar threshold used to distinguish between Type A and Type B programs \$500,000

Auditee qualified as a low-risk auditee? ☒ yes ☐ no

Section II - Financial Statement Findings

NONE

Section III - Federal Findings and Questioned Costs

NONE

Status of Prior Audit Findings

There were no prior year audit findings.